

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2659
ANSWERED ON:16.03.2007
ACQUISITION OF SH VRIS
Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

- (a) the manner in which the proposed acquisition by the Government of the controlling stake of RBI in the State Bank of India, National Housing Bank and the NABARD, is likely to affect the market value of the respective shares, viability and smooth functioning of the respective Banks;
- (b) the rate of interest at which the stakes are to be acquired by the Government; and
- (c) the steps taken or being taken to ensure smooth functioning of those Banks`?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PA WAN KUMAR BANSAL)

(a):On the recommendations of the Committee on Banking Sector Reforms (Narasimham Committee II) and as proposed by the Reserve Bank of India (RBI), Government has decided to transfer RBI shareholding in State Bank of India (SBI), National Bank for Agriculture and Rural Development (NABARD) and National Housing Bank (NHB) to Government of India. The transfer of RBI shareholding in these entities to the Government is not likely to have any adverse effect on the value of the shares, viability and functioning of these entities.

(b):As RBI shareholding is to be transferred to the Government against cash payment, the question of rate of interest does not arise.

(c): To ensure smooth and efficient functioning of banking sector in general and public sector banks (PSBs) / financial institutions (FIs) in particular, RBI has prescribed measures / guidelines for strengthening of prudential supervision viz, provisioning and classification norms for non-performing assets (NPAs), capital adequacy norms, guidelines to improve customer service, establishment of Banking Ombudsmen as also Banking Codes and Standards Board of India (BCSBI), guidelines on transparency in banks` charges, etc. Further, Government announced an Autonomy Package on 22.02.2005 for the PSBs to enable them take quick and efficient decisions, and to provide bank boards sufficient managerial autonomy to be able to compete internationally. Government has also put in place a mechanism to monitor the performance of PSBs on the basis of the `Statement of intent on Annual Goals` submitted by them on various performance parameters. Government has enacted Recovery of Debts due to Banks and Financial Institutions (DRT) Act, 1993 and The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 to enable the banks recover their dues expeditiously. Credit Information Companies (Regulation) Act, 2005 has been enacted to help banks/FIs improve their asset quality and to arrest fresh accretion of NPAs.